

Message Text

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PAGE 01 STATE 029293
ORIGIN EB-08

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APPROVED BY EB/IFD/OMA:JABWINDER
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FM SECSTATE WASHDC
TO AMEMBASSY BONN

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E.O. 11652: N/A

TAGS: EFIN

SUBJECT: RECIPROCAL AGREEMENT AN EXAMINATION OF BANKS
SUBSIDIARIES.

REF: BONN 14510 OF SEPTEMBER 6, 1977

1. WE WISH TO SEEK FRG AGREEMENT TO EXAMINATION OF U.S.
BANK SUBSIDIARIES IN GERMANY WITH RECIPROCITY REGARDING
GERMAN BANK SUBS IN U.S. EMBASSY REQUESTED TO USE FOLLOWING
LANGUAGE AS BODY IN NOTE VERBALE FOR PRESENTATION TO APPRO-
PRIATE FRG OFFICIALS. EMBASSY MAY WISH TO SAY IN PRESENT-
ING NOTE THAT THERE ARE NO WHOLLY OR MAJORITY OWNED GERMAN
BANK SUBS IN NEW YORK, ILLINOIS, OR CALIFORNIA, ACCORDING
TO BANKING AUTHORITIES IN THOSE STATES. WE DO NOT KNOW OF
ANY GERMAN BANK SUBS IN OTHER STATES. WE INCLUDE MAJORITY-
OWNED, AS WELL AS WHOLLY-OWNED, SUBS IN ORDER TO COVER ALL
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LIKELY POSSIBILITIES FOR BOTH COUNTRIES.

2. QUOTE:AMERICAN BANKS OPERATE A NUMBER OF LEGALLY INDE-
PENDENT SUBSIDIARIES IN THE FEDERAL REPUBLIC OF GERMANY.
THESE WHOLLY- AND MAJORITY-OWNED SUBSIDIARIES, WHICH ARE
INCORPORATED UNDER GERMAN LAW, HAVE BECOME INCREASINGLY

IMPORTANT TO THE OPERATIONS OF THEIR PARENT BANKS. FOR
EXAMPLE, WITH THE EXCEPTION OF SOME FOREIGN EXCHANGE TRADING

AND MONEY MARKET ACTIVITIES, ALL OF THE BANKING OPERATIONS
PREVIOUSLY CARRIED ON BY BRANCHES OF TWO LARGE AMERICAN
BANKS ARE NOW CONDUCTED BY WHOLLY-OWNED SUBSIDIARIES. FOR
THIS REASON, THE OFFICE OF THE COMPTROLLER OF THE CURRENCY
AND THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
BELIEVE IT DESIRABLE AND REQUEST THE OPPORTUNITY FOR U.S.
BANKING AUTHORITIES TO CONDUCT ON-SITE EXAMINATIONS OF SUCH
SUBSIDIARIES AS PART OF THEIR SUPERVISORY FUNCTIONS. THE
EXAMINATION PROCESS, WHICH IS THE PRIMARY TOOL OF BANK
SUPERVISION IN THE UNITED STATES, MUST ANALYZE A BANK ON A
CONSOLIDATED BASIS, AND TO DO SO IT IS ESSENTIAL TO EXAMINE
SUGNIFICANT SUBSIDIARIES.

FEDERAL REGULATORY AUTHORITIES FAVOR RECIPROCITY FOR
THE EXAMINATION OF SUBSIDIARIES OF THE FEDERAL REPUBLIC OF
GERMANY'S ENTITIES OPERATING IN THE UNITED STATES OF
AMERICA. THE ESTABLISHMENT AND REGULATION OF SUBSIDIARIES
OF FOREIGN BANKS ARE PRIMARILY SUBJECT TO THE LAWS OF THE
INDIVIDUAL STATES. NEW YORK, CALIFORNIA AND ILLINOIS THE
STATES WITH THE LARGEST CONCENTRATIONS OF FOREIGN-OWNED
BANKING SUBSIDIARIES, FAVOR AND ENCOURAGE EXAMINATIONS.

EXAMINATIONS OF U.S. BANKS FOREIGN SUBSIDIARIES, LIKE
THOSE OF BRANCHES, ARE DESIGNED TO ASCERTAIN THE CONDITION
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AND PERFORMANCE OF THE SUBSIDIARIES, THE QUALITY OF THEIR
OPERATIONS, THE CAPACITY OF THEIR MANAGEMENT, AND THE PRO-
TECTION OFFERED TO THEIR DEPOSITORS. UNITED STATES EXAM-
INERS DO NOT CONCERN THEMSELVES WITH INDIVIDUAL DEPOSITOR
ACCOUNTS. ALTHOUGH THE SUBSIDIARIES OF AMERICAN BANKS IN
THE FEDERAL REPUBLIC OF GERMANY ARE REGULARLY SUPERVISED
BY THE BUNDESAUFSICHT FUER DAS KREDITWESEN, THE U.S. BANK-
ING AUTHORITIES BELIEVE THEIR OWN EXAMINATIONS WOULD SERVE
THE COMMON OBJECTIVE OF PREVENTING ABUSES IN THE CREDIT
BUSINESS AND ASSURING THE SAFETY OF THE FUNDS ENTRUSTED TO
SUBSIDIARIES, AS WELL AS THE ORDERLY EXECUTION OF BANKING
TRANSACTIONS.

ALL PERSONNEL ASSIGNED TO CONDUCT EXAMINATIONS OF
SUBSIDIARIES WOULD BE EMPLOYEES OF THE APPROPRIATE FEDERAL
OR STATE BANK REGULATORY AGENCY. IN THE CASE OF BANKS
CHARTERED UNDER STATE LAW, JOINT FEDERAL-STATE EXAMINATIONS
ARE OFTEN CONDUCTED. ALL SUCH PERSONNEL ARE BOUND BY
STATUTES CARRYING CRIMINAL PENALTIES FOR THE UNAUTHORIZED
DISCLOSURE OF ANY INFORMATION OBTAINED IN THE EXAMINATION
PROCESS TO ANY PERSON OR ORGANIZATION NOT OFFICIALLY CON-

NECTED WITH THE PARENT OR SUBSIDIARY AS OFFICER, DIRECTOR,
EMPLOYEE, ATTORNEY, AUDITOR OR INDEPENDENT AUDITOR. UNQUOTE.
VANCE

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*** Current Classification *** LIMITED OFFICIAL USE
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LIKELY POSSIBILITIES FOR BOTH COUNTRIES.

2. QUOTE:AMERICAN BANKS OPERATE A NUMBER OF LEGALLY INDEPENDENT SUBSIDIARIES IN THE FEDERAL REPUBLIC OF GERMANY. THESE WHOLLY- AND MAJORITY-OWNED SUBSIDIARIES, WHICH ARE INCORPORATED UNDER GERMAN LAW, HAVE BECOME INCREASINGLY IMPORTANT TO THE OPERATIONS OF THEIR PARENT BANKS. FOR EXAMPLE, WITH THE EXCEPTION OF SOME FOREIGN EXCHANGE TRADING

AND MONEY MARKET ACTIVITIES, ALL OF THE BANKING OPERATIONS PREVIOUSLY CARRIED ON BY BRANCHES OF TWO LARGE AMERICAN BANKS ARE NOW CONDUCTED BY WHOLLY-OWNED SUBSIDIARIES. FOR THIS REASON, THE OFFICE OF THE COMPTROLLER OF THE CURRENCY AND THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM BELIEVE IT DESIRABLE AND REQUEST THE OPPORTUNITY FOR U.S. BANKING AUTHORITIES TO CONDUCT ON-SITE EXAMINATIONS OF SUCH SUBSIDIARIES AS PART OF THEIR SUPERVISORY FUNCTIONS. THE EXAMINATION PROCESS, WHICH IS THE PRIMARY TOOL OF BANK SUPERVISION IN THE UNITED STATES, MUST ANALYZE A BANK ON A CONSOLIDATED BASIS, AND TO DO SO IT IS ESSENTIAL TO EXAMINE SUGNIFICANT SUBSIDIARIES.

FEDERAL REGULATORY AUTHORITIES FAVOR RECIPROCITY FOR THE EXAMINATION OF SUBSIDIARIES OF THE FEDERAL REPUBLIC OF GERMANY'S ENTITIES OPERATING IN THE UNITED STATES OF AMERICA. THE ESTABLISHMENT AND REGULATION OF SUBSIDIARIES OF FOREIGN BANKS ARE PRIMARILY SUBJECT TO THE LAWS OF THE INDIVIDUAL STATES. NEW YORK, CALIFORNIA AND ILLINOIS THE STATES WITH THE LARGEST CONCENTRATIONS OF FOREIGN-OWNED BANKING SUBSIDIARIES, FAVOR AND ENCOURAGE EXAMINATIONS.

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AND PERFORMANCE OF THE SUBSIDIARIES, THE QUALITY OF THEIR OPERATIONS, THE CAPACITY OF THEIR MANAGEMENT, AND THE PROTECTION OFFERED TO THEIR DEPOSITORS. UNITED STATES EXAMINERS DO NOT CONCERN THEMSELVES WITH INDIVIDUAL DEPOSITOR ACCOUNTS. ALTHOUGH THE SUBSIDIARIES OF AMERICAN BANKS IN

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ALL PERSONNEL ASSIGNED TO CONDUCT EXAMINATIONS OF SUBSIDIARIES WOULD BE EMPLOYEES OF THE APPROPRIATE FEDERAL OR STATE BANK REGULATORY AGENCY. IN THE CASE OF BANKS CHARTERED UNDER STATE LAW, JOINT FEDERAL-STATE EXAMINATIONS ARE OFTEN CONDUCTED. ALL SUCH PERSONNEL ARE BOUND BY STATUTES CARRYING CRIMINAL PENALTIES FOR THE UNAUTHORIZED DISCLOSURE OF ANY INFORMATION OBTAINED IN THE EXAMINATION PROCESS TO ANY PERSON OR ORGANIZATION NOT OFFICIALLY CONNECTED WITH THE PARENT OR SUBSIDIARY AS OFFICER, DIRECTOR, EMPLOYEE, ATTORNEY, AUDITOR OR INDEPENDENT AUDITOR. UNQUOTE. VANCE

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